

SOUTH EASTERN REGIONAL COLLEGE

**Minutes of a Meeting of the Audit Committee of the Governing Body (the “Committee”)
held on Wednesday 14th September 2022 at 17:30, in Meeting Room D Floor, Lisburn Campus and via
Microsoft Teams Videoconference**

1.	<p>Chair’s Business:</p> <p>a) Attendance and Apologies:</p> <p>Present: Mr John Mackell, Mr Gareth Hetherington, Mr Mark Huddleston Items 1E-9 Only, Mr Darren Stewart, Mrs Deborah O’Hare, Mr Steve Pollard, Mr Samuel Hagen, Mrs Karen Fraser (Via Teams) and Ms Gemma Diamond</p> <p>In Attendance: Mr John Nugent (Chair of the Governing Body) Mr Tommy Martin (Chief Finance Officer) (the “CFO”) Mr Ken Webb (Principal) Via Teams, Mrs Claire Williamson (Secretary to the Governing Body) , Mr Ian McCartney (RSM) Via Teams, Ms Suzanne Murphy (NIAO) Via Teams , Ms Heather Sampson (DfE) Via Teams , Mr Andrew Emmett (Chief Technology Officer), Dr Michael Malone (Director of Curriculum & Information Services) Via Teams , Mr Paul Smyth (Chief Human Resources Officer) Items 1-4B only Via Teams, Mr Adam Donell (Boardroom Apprentice)</p> <p>Apologies: None</p> <p>In the Chair: Mr Mackell</p> <p>The Chair welcomed Adam Donnell to his first committee meeting and advised members that Mr Hetherington had joined the committee as a member.</p> <p>b) Declarations of Conflicts of Interest:</p> <p>The Chair asked if any member had an actual, potential, or perceived conflict of interest with any item on the agenda. Mr Pollard’s standing item regarding his wife’s employment in the SERC payroll department was noted. The Secretary was advised in advance of the meeting that the Chief Finance Officer’s daughter is a full-time nursing lecturer in the College, the Chair agreed that this would be noted in the minutes.</p>
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c) Minutes of the meeting held on 15th June 2022:

The Chair invited members to review the minutes from the previous meeting. The Committee agreed the minutes were a true and accurate record of the meeting.

Agreed: That the Committee approved the minutes of the meeting held on 15th June 2022

Proposed by: Darren Stewart

Seconded by: Steve Pollard

d) Action Points from previous committee meetings:

Ms Sampson advised that she had given feedback to her Departmental colleagues as requested the appreciation of the Committee for the good collaborative working and additional funding.

e) Committee Terms of Reference

In presenting the terms of reference for review the Chair confirmed with the Secretary that no feedback or suggested amendments had been received prior to the meeting from members. The Chair highlighted the inclusion in the ToR of the committee's annual review of the Business Continuity Plan.

Ms Sampson noted that as the committee do not monitor the NIAO work the reference to this under the committee's duties should be removed. The CFO commented that the committee may not have any formal control over NIAO's work but they do have opportunities to feedback. The committee were content to remove the reference and noted they have several ways in which to provide feedback on their work.

Agreed: The committee reviewed and approved the Audit & Risk committee ToR, and subject to the agreed changes being made recommended them to the Governing Body for adoption

At this juncture Mr Huddleston joined the meeting.

f) Committee Cycle of Business

The Chair asked members to review and approve the presented cycle of business, he added that the plan was fluid and could be amended to suit urgent business needs.

Agreed: The committee reviewed and approved the committee cycle of business for 22/23

Proposer: Mark Huddleston

Secunder: Karen Fraser

g) Committee Chair's post

The Chair informed members that it is his intention to step down as Committee Chair and he was seeking expression of interests from members in the role. He added that he had been in the role since April 2020, and he had found it extremely interesting and fulfilling.

The Chair of the Governing Body thanked the Chair for his work with the committee and encouraged all members to consider the position.

Action: Members interested in the role of Committee Chair are asked to email the Secretary in the first instance, the decision will be ratified by email in advance of the November meeting

2.

Correspondence:

a) FE Returns Timetable 22/23

The CFO asked members to note the enclosed correspondence, he advised that it sets out the financial deadlines for 22/23 and these are also reflected in the Governing Body cycle of business for the year.

b) National Fraud Initiative Report 2020-2022

Members were asked to note the enclosed report and the CFO advised that the College provides data to the NFI which is centrally analysed.

c) National Fraud Correspondence 2022

The CFO highlighted the confirmation of the Data Matching Exercise for 22/23 which is already in the work plan for the finance team, he noted this is a worthwhile piece of work to be involved in and is beneficial to the public purse.

d) NIAO Feedback Survey

The CFO began by advising the committee that he had completed this survey and the issues he had highlighted were followed up at senior level by the NIAO which had been very encouraging. Ms Murphy advised the committee that while this is an annual survey, the NIAO very much welcome contact from the College and the committee at any time and so there is no need to wait if something needs to be addressed.

3.

For Approval:

a) (Draft) Annual Report & Financial Statements including Governance Statement

The CFO began by advising the committee the Draft Annual Report & Financial Statements had been reviewed and approved by the Finance and General Purposes Committee the previous evening, they were much more focussed on the financial side of the report. The CFO provided a brief overview of the financial statements and emphasised that under the College's NDPB funding model the resource requirement should match the resource allocation. He pointed out that in 21/22 the College's resource requirement had been more than originally budgeted but less than the final secured allocation i.e., the financial target as confirmed in March 2022.

He informed the committee that the College had proactively reduced spend from April 2022 onwards in the absence of a formal budget from the Department and likely funding reductions. SERC's final result had come in very close to its reduced spending target.

The CFO moved on to run through the process of the audit and advised the committee that NIAO auditors were already onsite. He highlighted the governance statement to the committee and confirmed that it sets out the governance structures in place in the College, Governing Body performance and effectiveness, how register of interests are managed, how risk is managed and the formal frameworks in place. He added that the committee will receive further assurance on these areas from NIAO when they present the final draft of the report at the next meeting.

Mr Hagan noted that there is £4.6m deficit included in the accounts and enquired if this is mainly around pension costs. The CFO advised that as an NDPB the College is not financially focussed on surplus and deficit, rather the focus is on matching the College's resource requirement with the resource allocation from DfE. He added that the Department as our sponsor do not provide cash or Grant-in-Aid to cover non-cash items such as pensions. This is an accounting deficit but there is no going concern issues as an NDPB as the pensions deficit is underwritten by the Department.

In response to a further query from Mr Hagan the CFO acknowledged that payment performance had not been as strong this year, he advised that a report is now provided routinely to the FGP committee on such operational performance issues to give them assurance. Payment performance had reduced in 21/22 due in large part to the impact of resource issues in the procurement team which have now been resolved with recruitment of a qualified procurement manager. The other factor impacting payment performance was changes to the ABW finance system and process changes which had slowed the processing of payments. He concluded that payment performance is now expected to improve with the resource issues having been resolved.

The Chair enquired if there is any indication when a final budget may be provided, the CFO advised that until there is a sitting NI Executive the confirmed budget cannot be given. He added that the planning allocation does not currently meet the resource requirement however negotiations are ongoing with the Department in a bid to bridge the gap.

Agreed: The committee reviewed and approved the Draft Annual Report & Financial Statements including Governance Statement for year ended 31 July 2022

Proposer: Darren Stewart

Seconder: Gareth Hetherington

b) Internal Audit Plan 2022/23

i. Covid 19 Lost Learning Internal Audit Requirement

On the invitation of the Chair Mr McCartney addressed the committee to present the internal audit plan for 22/23. He advised that 5 reviews are planned plus a follow up review, and he enquired if the committee would like to substitute a piece of work to include the Covid 19 Lost Learning piece or to

include it as an additional report. Members were advised that this request was a sector wide review and had been requested by the Department, it is expected that the review will take 7 days per College at a cost of £2800. However, the exact number of days will only be known when the terms of reference for the review had been settled and agreed by NIFON.

The Chair invited comment from members on how the review should be included in the work plan, the following points were highlighted in discussion:

- The Chair began by advising his preference was to keep the 5 reviews and include an additional review.
- Mr Hetherington agreed and noted that payroll does not usually turn up anything material. (At this juncture Mr Pollard reminded the committee about his conflict of interest regarding the payroll department and did not take part in this element of the discussion). The CFO commented that the payroll function is mature at this stage, but he appreciated it is important for the committee to get assurances around it.
- The committee noted that £2800 is not a great deal of extra money to spend on the review. Mrs O'Hare enquired would it cause the finance team any difficulty in terms of resourcing and an extra review. The CFO advised that it would not only be the finance team, but input would also be required from the curriculum managers and therefore the timing of the review is critical to ensure that it does not cross over into the Student Employability piece as they will also be involved in that.
- The Director of Curriculum & Information Services advised that he would need to liaise with the Heads of Schools to ascertain when the best time for the review would be.
- The Chair noted that the agreement was to maintain the original plan and include the review as an additional piece of work; the committee would take the lead from members of CMT as to when it will be carried out.

Agreed: The committee approved the RSM Internal Audit Plan for 2022/23 and requested that the Covid 19 Lost Learning review was included as an additional review

Proposer: Steve Pollard

Seconder: Sam Hagan

Action: The committee requested that extra days are included in the next 3-year internal audit plan

c) Review of Business Continuity Plan

The CFO presented the plan for review and began by advising members that the draft includes a number of minor amendments to the main body of the plan as well as substantial changes to some of the individual Department plans, in particular Finance and MIS.

The CFO reminded members that the College is required to write up lessons learned after a major incident, and while we are still in the middle of one with the pandemic the College had written an interim

summary. Once the pandemic is formally declared over the College will formally finish this work. The committee were asked to take assurance that CMT had also reviewed and approved the draft plan.

In response to a query from the Chair the CFO confirmed that the plan is published on the intranet and is accessible for staff, the Head of Estates & Facilities Management is responsible for reviewing and updating the plan periodically. Quarterly training sessions are planned to ensure that staff are aware of protocols and to highlight when key people have left their position.

The Chair noted that we have been working through the last two and half years with the plan and it has worked well and performed well in an audit review, and he took a good level of assurance from that.

Agreed: The committee reviewed and approved the Business Continuity Plan

Proposer: Mark Huddleston

Seconder: Sam Hagen

4.

For Information:

a) Strategic Risk Management Report

The CFO presented a high-level summary of the risk management report, a brief discussion took place, and the following points were noted:

- R074: Managing the Financial Viability of the College-The CFO highlighted that the last forecast had included a £3.1m pressure that was reflected in the operational budget, however a new allocation has been recently communicated to the College which reduced this to £1.9m. The CFO advised that he would continue to work with FE Finance and he was very thankful for their efforts so far in securing an additional allocation.
- The Chair enquired if there will be any impact on service delivery. The CFO replied that there are efficiencies around IT kit and estates maintenance in the budget however if the position with funding continues past this year it will become an issue and not just in these areas.
- In response to a query around pay pressures, the CFO confirmed that elements of pay pressures are included in the allocation, however he advised members he had only received the new allocation minutes before the meeting and would therefore need time to work through the letter in detail. He advised that all non-staff inflationary pressures seem to have been met.
- Mr Huddleston highlighted it is concerning if academic pay pressures are not covered as these staff are on the front line in terms of delivery. The CFO advised this is because no agreement has been reached on a pay award with the trade unions. Mr Huddleston commented that the Department are asking the College to deliver on policy where the staff element is crucial and so this creates further risks to the College if a pay agreement is not reached.
- Mr Pollard commented that he continues to be concerned about the squeeze in income and the ever-rising costs the College is facing. The Chair noted that in terms of IT efficiencies this could not continue in the long term as it increases the risk around cyber security.
- R086: Maintaining current levels of Further & Higher Education provision-The CFO gave members a brief overview of the enrolment figures and advised that HE numbers have declined by 21% and this area is challenging for the entire sector.
- The Principal addressed the committee to add that the Departmental review of HE In FE has not been able to address these issues, the Skills Barometer clearly states there is an increasing demand for level 4 and 5. He commented that no meaningful research or consultation had been carried out. The Principal set out some of the challenges facing the Sector including grade inflation and an increase in vocational qualifications being taught in schools. He noted if the trend continued, we would ultimately see the demise of HE in FE.

- Mr Huddleston noted that as the MASN has been reduced in the Sector we are no longer comparing like with like and he noted there are a number of other constraints outside of our control impacting this, he commented that level 3 students will be impacted in terms of progression.
- The Principal reminded the committee that we are operating in a different environment this year, the cost-of-living crisis and other factors will add to these challenges. He advised that the CFO and his team are actively looking at student support to ensure the College is doing all it can to retain and attract students.
- The Chair commented that this was a sobering but unsurprising assessment and asked the Department to note the committee's concerns, he added a cultural change is required as there is only so much the College can do as it is evident a wider strategic approach is needed. He noted that the policy disconnect or vacuum has been further exacerbated by the falling financial demographics in Northern Ireland.

Action: The Chair asked the Department to note the committee's concerns around enrolments particularly the policy vacuum with regard to Higher Education

Action: The committee requested if the Education Committee could also review the issue of HE enrolments at their next meeting

- R092: Managing the Impact of Industrial Action -Moving on the CFO advised that the Risk Management team had considered upgrading this risk from amber to red, but it was agreed that whilst the likelihood had increased, the rating remained at the higher level of possible (25-50%). The overall risk score therefore remains unchanged at amber. The CHRO confirmed that there has been no impact on delivery; CMT have considered that what is happening in wider society may lead to potential action from both the teaching and non-teaching sides.
- R094: Inability to operate DfE's Training Management System (TAMS) due to implementation issues-The CFO advised that this is a new risk and while it hasn't had any financial impact on the College yet, it will be monitored and reviewed. The CFO advised members of the issues the College has faced in using this new system and the potential impact it may have.
- Members noted their concern that there is a reputational risk to the College and the Chair added that as up to £6m of income is reliant on this system which is ineffective then it is wholly unsatisfactory. Ms Sampson added that the Department are aware of the problem with the TAMS system and are trying to keep progressing the issues in order to rectify them.
- The Principal emphasized that the system is costing the College additional expenses when it is already running a deficit, it puts unnecessary pressure on staff, the system was introduced with

no consultation at all with the end user and there has been little training provided to staff. He noted that if the College were to do this it would be completely unacceptable.

- The Director of C&IS added that the system should run in parallel with the old system for a year to ensure that it could be properly stress tested. He advised that there is no definitive timeline from the Department in getting this matter resolved.
- The Chair agreed that the College is carrying all the risk, and this is not acceptable.

Action: The Chair asked Ms Sampson to relay the committee's concerns of the TAMS system to the Department

b) Operational Risk Reports

I. Human Resources: Health & Safety and Learning Academy

The CHRO presented a summary of operational risks across his directorate, the following points were noted in discussion:

- The Chair noted that 23% of advertised posts were not filled in 2021/22 and he asked the CHRO what impact this had on delivery. The CHRO confirmed that delivery had not been impacted as the College had been prioritising workloads and there had been additional hours worked by staff, however he acknowledged this is not sustainable in the longer term.
- In response to a query on the additional cost and resources for re-advertising the CHRO talked the committee through the shortlisting process and advised that there is an issue with the number of applications being received. He advised that the College strategy is to focus on 'growing our own', and so staff are invested in over a longer period of time, and they will hopefully see the benefits and culture of working at SERC and stay for a longer time period.
- The CHRO highlighted that this is not a strategic risk, and the College turnover of staff remains exceptionally low, however competing in areas such as computing, and engineering remains challenging in terms of recruitment as the Sector cannot compete with the private sector salary.
- Mrs Fraser enquired if there was an opportunity for the College to deliver PGCE courses in house. The Principal confirmed that this is not an option without a tendering process, Ulster University currently have the tender for this training, and the Principal has advised the Department it is not good value for money.
- Mrs O'Hare noted that from a governance perspective all the risks that had been discussed during this meeting are outside of the control of the College.

- Mr Hetherington suggested that the risk around vacancies is something this committee should be reviewing regularly to gain an understanding of when it is most likely to become a strategic red risk. The CHRO advised that the FGP will receive a formal report on vacancies.

Action: Audit committee to receive regular reviews on the risk around staff vacancies

d) IT Resilience Statement

The Chief Technology Officer talked to the written report provided and he highlighted some of the key points in discussion:

- The committee noted that the College telephony system will be replaced with Microsoft Teams and this system will go live on 26th September.
- The CTO advised that penetration testing had been conducted in September and 45% of the issues raised relate to the old telephony system, therefore, a re-test will be conducted at the end of the month when the system has been replaced.
- The CTO highlighted the recent security and phishing exercises and advised that the staff exercise resulted in a 5% breach rate, continued targeted training for these staff members will be carried out. The CTO confirmed that repeat offenders will be given 1 to 1 training.
- Cyber Essentials remains challenging, and the CTO advised that the benefit in pursuing this certification is merely around assurance and is something the Department have asked for.
- The colleges existing firewalls are approaching 'end of life'. Some funding has been allocated to a replacement project; a business case has been drafted with a replacement strategy setting out a completion date of February 2023.
- The Director of C&IS reminded the committee that there are no guarantees in cyber security, and it is about building as many layers as a defence, he added that the weak link in any organisation in terms of cyber threat is the staff and so training and development must remain a priority.

5.	<p>Policies for Approval:</p> <p>Nothing to note.</p>
6.	<p>Internal Audit:</p> <p>a) EBS Review</p>

On the invitation of the Chair Mr McCartney addressed the committee to present the internal audit reviews, he directed members to the written reports provided and advised that the EBS review had received a satisfactory rating with 6 low and 2 medium priority recommendations.

The Chair enquired if the recent reviews had been conducted online, Mr McCartney confirmed that they had been conducted remotely however the audit team is happy to come into the College if there is any scope to do so. The CFO advised that NIAO are currently onsite and operating on a hybrid basis for the external audit so an on-site visit can certainly be facilitated.

Before moving on the Director of C&IS highlighted that the amount of effort the Chief Technology Officer had personally put into implementing these systems in the whole of the sector was phenomenal. The Chair echoed these comments and thanked the CTO on behalf of the College and colleagues in the Sector.

b) Follow Up review

Members were asked to note that 9 of the recommendations from the previous reports remain outstanding as they are not yet due.

c) Internal Audit Progress/Annual Assurance Report

Members noted the overall opinion of the annual assurance rating as satisfactory. Mr McCartney highlighted the findings of the reviews which are summarised in the report and the good governance observations.

The Chair reminded members that a satisfactory rating is the highest level of assurance that can be given and added that it is a good level of comfort for the committee to receive this report.

The Chair thanked RSM for their work over the last year and the CFO, finance team and wider CMT for their efforts in producing satisfactory outcomes in all the reviews conducted.

7. Summary of Actions taken in Response to External & Internal Audit recommendations:

The CFO advised that penetration testing is outstanding from 20/21 which the CTO had updated members on under item 4c.

For the year 21/22 there are 4 outstanding recommendations, one relating to Key Financial Controls and 3 relate to Contract Management.

8. Fraud Update – For Information:

a) Fraud Report

The CFO advised that the active case of suspected fraud is still being investigated and is near completion. In response to a query from the Chair the CFO confirmed that anti-fraud training is mandatory for all staff

	and is based on guidance from the Department of Finance - key fraud indicators are highlighted in both the policy and the training for staff.
9.	<p>Any Other Business:</p> <p>In concluding the meeting, the Chair thanked the committee, the CFO and the Secretary for their support during his time as Chair.</p> <p>Mr Hetherington added that he would like to thank Mr Mackell for the support he had given to him in his role as Temporary Chair of the Governing Body, he said he had been very grateful, and everyone would miss Mr Mackell's unique style as Chair.</p> <p>The Principal echoed these comments and added his thanks on behalf of CMT.</p>
11.	<p>Date and time of next meeting:</p> <p>It was noted that the next meeting of the Audit Committee was scheduled to be held on Wednesday</p>

The Chair declared the meeting closed at 8.18pm